

**GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA**

STARRED QUESTION NO:121

ANSWERED ON:21.08.2007

EXPORT OF HANDICRAFTS TO USA

Chaudhary Shri Pankaj;Reddy Shri Karunakara G.

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

- (a) whether the USA has decided to withdraw the Generalised System of Preference being provided to items of Indian Handicrafts including gold ornaments and brass lamps;
- (b) if so, the details thereof;
- (c) whether the exporters associated with these industries are likely to be adversely affected by the said decision;
- (d) if so, whether the Government has taken up this matter with the USA; and
- (e) if so, the reaction of the USA Government thereon?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI KAMAL NATH)

(a) to (e): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF LOK SABHA STARRED QUESTION NO.121 FOR ANSWER ON 21ST AUGUST, 2007 REGARDING 'EXPORT OF HANDICRAFTS TO USA'

(a) Yes, Sir.

(b) The Generalised System of Preferences (GSP) of the US is a unilateral scheme for providing preferential duty-free treatment for more than three thousand products of 136 designated beneficiary developing and least developed countries, with a view to promoting economic growth in the developing world. A review is carried out periodically by the US to assess whether the GSP benefits should continue for the products of a particular beneficiary country. In modifying the GSP list of products from a beneficiary country, the following factors are inter alia considered, which are called competitive need limits:-

(i) the total exports of a product from a particular beneficiary country should not account for 50% or more of the value of total US imports of that particular product, and

(ii) the total exports of a product from a particular country should not exceed a certain value, which was set at US\$125 million for 2006.

Under certain circumstances, the US can grant competitive need limit waiver for a product of a particular country. After the latest review, GSP benefits were withdrawn by the US with effect from 1 July 2007 for gold ornaments and brass lamps exported from India. GSP benefits have also been withdrawn for certain products from other countries such as Brazil, Thailand, Philippines, Turkey, Jordan, Kazakhstan, Cote d'Ivoire etc.

(c) With the withdrawal of GSP benefits, a Most Favoured Nation (MFN) import duty of 5.5% on gold ornaments and 3.9% on brass lamps would be levied in the US for imports from India. Duty free access under the GSP helped enhance the competitive advantage of these two products in the US market.

(d)&(e) Yes, Sir. Prior to the withdrawal of GSP benefits, the Government had represented before the United States Trade Representative (USTR) for the continuation of GSP benefits inter alia on the grounds of the adverse implications for large numbers of workers employed in the concerned sectors. A petition had been filed in the office of the USTR with regard to jewellery and non electric lamps on 5 September 2006. In addition, the Government had raised the issue in the India-US Trade Policy Forum meeting in April 2007. According to the US guidelines, India can seek restoration of GSP benefits on a particular product, if Indian exports of that product to the US fall below the competitive need limit parameters set by the US in a subsequent year.